

## IDAHO'S UNEMPLOYMENT INSURANCE PROGRAM

The recent series of highly publicized mill closures, business downsizing, and temporary layoffs in Idaho brings the spotlight on the state's Unemployment Insurance (UI) program. Are more benefits being paid? Are UI claimants receiving benefits for a longer duration than before? What might be the effect on the UI trust fund that finances the benefits? These are some of the questions being asked. Therefore, in an effort to address these questions, some data is presented.

The Unemployment Insurance program is very complicated and cannot be described in detail in this FYI section. However, some of the salient program features are:

- The UI program was established in 1935 as a part of the Social Security system. The primary purposes of the program are to provide temporary financial assistance to the unemployed, maintain the worker's attachment to the labor force, and to provide some measure of economic stability to local communities.
- The federal government sets standards for the program but the individual states have some latitude in specifying whom the program covers, both employers and employees. States also set benefit levels. State programs must conform to the basic standards established by the federal government.
- The program is financed by a tax on most private employers. This money is deposited in a trust fund. The tax is determined by wages paid—up to a certain level for each employee—by the employer and the total amount of money needed to keep the trust fund account adequate to meet periods of high drawdowns. Law establishes a schedule of tax rates and these rates can vary from year-to-year depending upon the trust fund balance, fund costs to a business, and total wages paid by covered employers. The amount paid by an individual employer is also influenced by the employer's experience with UI payments charged against the business.
- To receive UI benefits, a claimant must have received a certain level of wages from covered employers and received them for a certain period of time. These factors are then used to determine the claimant's benefit amount and eligibility duration. There are maximum benefit amounts and duration. Unless the claimant is to be recalled by the employer, he or she must actively search for work with

other employers and document the work search activity.

- Employers are periodically audited to make sure they are paying the appropriate tax. A sample of claimants is audited to make sure they are conforming to program requirements. If irregularities are found, repayment is required from the claimant and penalties and interest can be assessed against the employer.

It also must be kept in mind that Idaho's UI covered employment base has been increasing constantly over recent years. This, in turn, increases the potential for increased UI claims for any reason. Also, many components of Idaho's economy are very seasonal and there are normal ups and downs in UI claims due to this seasonality. The UI payout amounts also increase due to yearly changes in the maximum benefit levels and, because of increasing wage levels, these amounts are not directly comparable from year-to-year.

FYI Chart 1 is a comparison of money paid for UI benefits in the first six months of the calendar year (which starts in October) for 2001 to 2000. The expenditure pattern is roughly the same, but the amounts paid in this fiscal year are higher than for the previous year, especially in the second quarter. The expenditures on this chart reflect only those paid from the Idaho UI trust fund.

Another measure commonly used is weeks compensated. This is a measure of the number of weekly payments made to claimants. FYI Chart 2 depicts the relationship between this year and last year. Again, the trend is roughly the same but there are heightened levels this year. These are Idaho UI trust fund claimants.

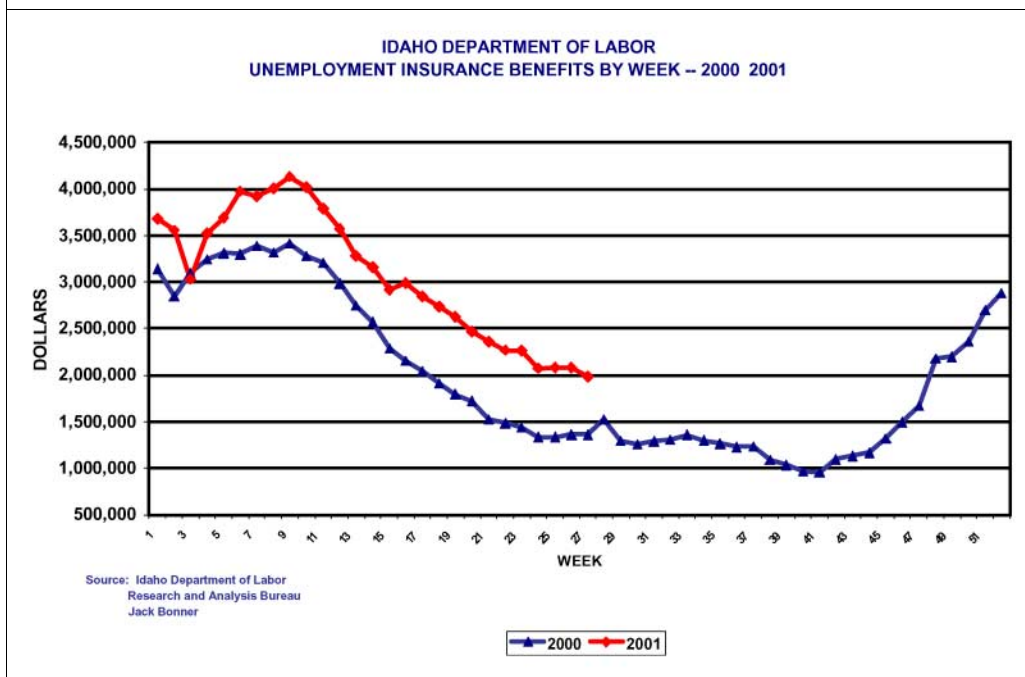
FYI Table 3 provides more detail on the trends noted on the charts. There are three UI programs currently being administered by the Idaho Department of Labor. "Regular" is the program financed by the Idaho UI Trust Fund and is by far the largest of the three programs. "UCFE Regular" is the unemployment compensation program for civilian federal workers and is paid by the federal government. "UCX Regular" is another federally financed program and is for military personnel. Even though these are federal programs, claims activity is reported as a measure of overall UI claims levels and because the Idaho Department of Labor processes the claims.

So, have the recent layoffs had a significant effect on Idaho's UI program? It is hard to draw a conclusion with any certainty. Claims and benefit levels are up, but

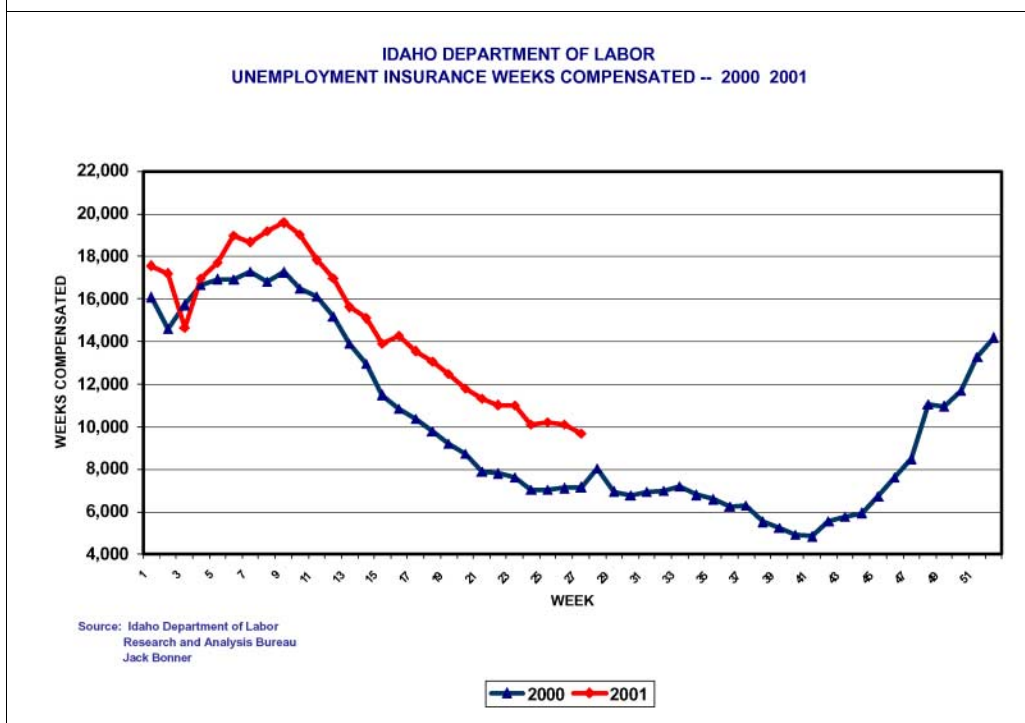
is that due to increased covered employment and increased benefit entitlement amounts? While there are serious problems for claimants who have been laid off, and on several small, rural communities where significant layoffs have occurred, the number laid off is a small percentage of Idaho's labor force. The increased UI activity is being factored in to models of trust fund adequacy to determine if any changes need to be made in Idaho's UI tax and benefit payment system.

Readers interested in the complete details of Idaho's Unemployment Insurance program might want to read Idaho Unemployment Insurance Financing, Benefit Costs and Experience Rating Report published by the Department's Research and Analysis Bureau. It is available in hard copy and can be obtained by calling 208-334-6168. It and other UI data are available on the Internet at <http://www.labor.state.id.us/lmi>.

FYI Chart 1:



FYI Chart 2:



FYI Table 3: UNEMPLOYMENT INSURANCE TREND DETAIL

ACTIVITY	MAY			JULY YEAR-TO-DATE		
	2001	2000	1999	2000-2001	1999-2000	1998-1999
<b>UI Regular</b>						
Initial Claims	8,207	6,684	6,567	104,407	96,368	101,988
Weeks Compensated	59,159	42,483	40,037	544,053	491,490	518,722
Benefits Paid	\$12,362,808	\$8,274,700	\$7,571,341	\$111,186,777	\$93,989,933	\$96,938,032
Federal \$\$ Paid*	\$87,209	\$56,420	\$49,016	\$1,102,413	\$897,224	\$1,004,511
Average Weekly Payment	\$210.45	\$196.10	\$190.33	\$206.39	\$193.06	\$188.82
<b>UCFE Regular</b>						
Initial Claims	24	20	33	1,160	1,183	1,273
Weeks Compensated	417	386	458	7,897	8,052	8,366
Benefits Paid	\$101,653	\$91,193	\$92,988	\$1,987,786	\$1,948,479	\$1,912,446
Average Weekly Payment	\$243.77	\$236.25	\$203.03	\$251.71	\$241.99	\$228.60
<b>UCX Regular</b>						
Initial Claims	28	31	24	300	381	409
Weeks Compensated	270	267	241	2,617	2,638	3,382
Benefits Paid	\$66,134	\$66,054	\$58,430	\$669,132	\$647,256	\$804,437
Average Weekly Payment	\$244.94	\$247.39	\$242.45	\$255.69	\$245.36	\$237.86

\* UCFE - UCX funds from combination claims included for computing average weekly payment